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April 28, 2016

The Honorable Lorena Gonzalez  
Assembly Appropriations Committee  
State Capitol, Room 2114  
10<sup>th</sup> and L Streets  
Sacramento, California 95814

*Via E-mail only*

Dear Assembly Member Gonzalez:

In response to a request from the Assembly Appropriations Committee staff, CHBRP has modeled the costs of the amended language of Assembly Bill 2507 (Gordon), *Telehealth: access*. The amended language excludes e-mail, synchronous, text and chat conferencing as covered telehealth modalities. In the current language of AB 2507 (as of April 27, 2016) covered modalities are “synchronous interactions and asynchronous store and forward transfers including video communications and telephone communications.” Therefore, the revised request still includes store-and-forward, live video and phone as covered telehealth modalities.

This revised request includes:

- A revised Table 1 which describes the benefit coverage, utilization, and cost impacts in the first year postmandate;
- A new Table 1a which describes the difference in expenditures between the original and revised scenarios;
- A revised Table 6 which describes the estimated distribution of telehealth visits by modality.

The original submitted analysis included two adoption scenarios: low and high adoption of telehealth services with telehealth visits accounting for between 3.75% and 15% of total visits. The revised request is based on the low adoption scenario only for a few reasons. E-mail, text and chat conferencing are elements of many existing electronic health records and patient portals. By removing e-mail and text or chat as covered telehealth modalities, we assume that telehealth becomes less convenient because access is more limited relative to the original bill language. For example, phone calls with a provider require scheduling in a way that e-mail communication does not. For these reasons, we modeled only the low adoption scenario.

With the exclusion of e-mail, text and chat as covered modalities, we assume that half of the services that could be delivered via e-mail, text and chat would shift to phone. We assume the remaining half of the services that could be delivered via e-mail, text and chat would either (1) no longer be delivered or (2) would be delivered via e-mail, text and chat without reimbursement. The revised Table 6 describes this shift. This shift results in an estimated 3.47% total visits delivered via telehealth compared to the original low scenario of 3.75%. Additionally, in-person visits would increase relative to the original scenario due to the exclusion of e-mail, text and chat modalities. We did not make any changes to the assumed unit cost for each modality.

In the revised scenario with e-mail, text or chat excluded, there is a decrease of total expenditures of \$3,373,000. This figure includes:

- \$909,000 decrease for private employers for group insurance;
- \$70,000 decrease for CalPERS HMO employer expenditures;
- \$994,000 decrease for Medi-Cal Managed Care Plan expenditures, and;
- \$664,000 decrease in enrollee out-of-pocket expenses for covered benefits.

For a full description of the change in costs, see Table 1a, attached.

Please let us know if you have any questions related to this request. Thank you for allowing CHBRP the opportunity to further assist.

Sincerely,



Garen L. Corbett, MS  
Director, CHBRP  
University of California, Office of the President

cc:

Assembly Member Gordon, Author of Assembly Bill 2507, *Telehealth*  
Senator Ed Hernandez, Chair, Senate Committee on Health  
Assembly Member Jim Wood, Chair, Assembly Committee on Health  
Assembly Member Lorena Gonzalez, Chair, Assembly Committee on Appropriations  
Senator Kevin de León, President Pro Tem of the Senate  
Assembly Member Toni Atkins, Speaker of the Assembly  
Senator Janet Nguyen, Vice Chair, Senate Committee on Health  
Assembly Member Brian Maienschein, Vice Chair, Assembly Committee on Health  
Senator Ricardo Lara, Chair, Senate Committee on Appropriations  
Senator Patricia Bates, Vice Chair, Senate Committee on Appropriations  
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Camille Wagner, Legislative Affairs Secretary, Office of Governor Jerry Brown  
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Josephine Figueroa, Deputy Legislative Director, CDI  
Shelley Rouillard, Director, California Department of Managed Care (DMHC)  
Jenny Mae Phillips, Senior Attorney, California DMHC  
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Cathryn Nation, Associate Vice President, UC Health, UCOP  
Lauren LeRoy, CHBRP National Advisory Council Chair

**Revised Table 1.** AB 2507 Impacts on Benefit Coverage, Utilization, and Cost, 2017  
*Excluding e-mail, synchronous text and chat conferencing*

	Premandate	Postmandate	Increase/ Decrease	Change Postmandate
<b>Benefit Coverage</b>				
Total enrollees with health insurance subject to state-level benefit mandates (a)	25,155,000	25,155,000	0	0%
Total enrollees with health insurance subject to AB 2507	25,155,000	25,155,000	0	0%
Number of enrollees with coverage for phone telehealth services	19,524,587	25,155,000	5,630,413	29%
Number of enrollees with coverage for live videoconferencing telehealth services	23,013,187	25,155,000	2,141,813	9%
Number of enrollees with coverage for store-and-forward telehealth services	23,013,187	25,155,000	2,141,813	9%
Percentage of enrollees with coverage for phone telehealth services	78%	100%	22%	29%
Percentage of enrollees with coverage for live videoconferencing telehealth services	91%	100%	9%	9%
Percentage of enrollees with coverage for store-and-forward telehealth services	91%	100%	9%	9%
<b>Utilization and Cost</b>				
Phone telehealth services utilization (Units Per 1,000 Covered Enrollees)	0.59	50.98	50.39	> 1000%
Live videoconferencing telehealth services utilization (Units Per 1,000 Covered Enrollees)	0.06	3.47	3.41	> 1000%
Store-and-Forward telehealth services utilization (Units Per 1,000 Covered Enrollees)	0.68	42.06	41.38	> 1000%
In-person visits utilization (Units Per 1,000 Covered Enrollees)	2,749.41	2,692.45	-56.96	-2%
Average per-unit cost of phone telehealth services	\$38.83	\$93.16	\$54.34	140%
Average per-unit cost of live videoconferencing telehealth services	\$145.43	\$125.80	-\$19.63	-13%
Average per-unit cost of store-and-forward telehealth services	\$108.34	\$135.20	\$26.86	25%

	Premandate	Postmandate	Increase/ Decrease	Change Postmandate
Average per-unit cost of in-person visits	\$132.05	\$132.05	\$0.00	0%
<b>Expenditures</b>				
Private Employers for group insurance	\$64,837,024,000	\$64,865,354,000	\$28,330,000	0.044%
CalPERS HMO employer expenditures (c)	\$4,756,143,000	\$4,758,111,000	\$1,968,000	0.041%
Medi-Cal Managed Care Plan expenditures (d)	\$16,670,700,000	\$16,696,268,000	\$25,568,000	0.153%
Enrollees for individually purchased insurance	\$22,073,116,000	\$22,086,609,000	\$13,493,000	0.061%
Individually Purchased – Outside Exchange	\$10,875,864,000	\$10,882,740,000	\$6,876,000	0.063%
Individually Purchased – Covered California	\$11,197,252,000	\$11,203,869,000	\$6,617,000	0.059%
Enrollees with group insurance, CalPERS HMOs, Covered California, and Medi-Cal Managed Care (a) (b)	\$20,496,488,000	\$20,505,694,000	\$9,206,000	0.045%
Enrollee out-of-pocket expenses for covered benefits (deductibles, copayments, etc.)	\$16,248,327,000	\$16,263,206,000	\$14,879,000	0.092%
Enrollee expenses for noncovered benefits (e)	\$0	\$0	\$0	0.000%
	\$145,081,798,000	\$145,175,242,000	\$93,444,000	0.064%

Source: California Health Benefits Review Program, 2016.

Notes: (a) This population includes persons with privately funded and publicly funded (e.g., CalPERS HMOs, Medi-Cal Managed care Plans) health insurance products regulated by DMHC or CDI. Population includes enrollees aged 0 to 64 years and enrollees 65 years or older covered by employment sponsored insurance.

(b) Premium expenditures by enrollees include employee contributions to employer-sponsored health insurance and enrollee contributions for publicly purchased insurance.

(c) Of the increase in CalPERS employer expenditures, about 56.7% or \$1,115,000 would be state expenditures for CalPERS members who are state employees or their dependents.

(d) Does not include enrollees in COHS

(e) Includes only those expenses that are paid directly by enrollees to providers for services related to the mandated benefit that are not currently covered by insurance. In addition this only includes those expenses that will be newly covered, post-mandate. Other components of expenditures in this table include all health care services covered by insurance

Key: CalPERS HMOs=California Public Employees' Retirement System Health Maintenance Organizations;  
CDI=California Department of Insurance; DMHC=Department of Managed Health; COHS=County Operated Health Systems

**Table 1a.** Change in Expenditures from Original to Revised Scenario  
*Original scenario compared to revised scenario excluding e-mail, synchronous text and chat conferencing*

<b>Expenditures</b>	<b>Original Change in Expenditures due to mandate</b>	<b>Original Percent Change</b>	<b>Revised Change in Expenditures due to mandate</b>	<b>Revised Percent Change</b>	<b>Difference between Revised and Original Scenarios</b>
Private Employers for group insurance	\$29,239,000	0.045%	\$28,330,000	0.044%	-\$909,000
CalPERS HMO employer expenditures	\$2,038,000	0.043%	\$1,968,000	0.041%	-\$70,000
Medi-Cal Managed Care Plan expenditures	\$26,562,000	0.159%	\$25,568,000	0.153%	-\$994,000
Enrollees for individually purchased insurance	\$13,931,000	0.063%	\$13,493,000	0.061%	-\$438,000
Individually Purchased – Outside Exchange	\$7,095,000	0.065%	\$6,876,000	0.063%	-\$219,000
Individually Purchased – Covered California	\$6,836,000	0.061%	\$6,617,000	0.059%	-\$219,000
Enrollees with group insurance, CalPERS HMOs, Covered California, and Medi-Cal Managed Care	\$9,504,000	0.046%	\$9,206,000	0.045%	-\$298,000
Enrollee out-of-pocket expenses for covered benefits (deductibles, copayments, etc.)	\$15,543,000	0.096%	\$14,879,000	0.092%	-\$664,000
Enrollee expenses for noncovered benefits	\$0	0.000%	\$0	0.000%	\$0
	\$96,817,000	0.067%	\$93,444,000	0.064%	-\$3,373,000

Source: California Health Benefits Review Program, 2016.

**Revised Table 6.** Net New Encounters by Telehealth Modalities Postmandate  
*Excluding e-mail, synchronous text and chat conferencing*

	Increase in Telehealth (Original Scenario) Visits due to Mandate	Increase in Telehealth (Revised Scenario) Visits due to Mandate	Difference between Revised and Original Scenarios
Provider/Patient Uptake	3.75%	3.47%	-0.28%
% Substitute Visits	60%	60%	No change
% Supplemental Visits	40%	40%	No change
<b>Phone</b>	1,068,000	1,268,000	200,000
Substitute	641,000	761,000	120,000
Supplemental	427,000	507,000	80,000
<b>E-mail, synchronous text and chat</b>	402,000	0	-402,000
Substitute	241,000	0	-241,000
Supplemental	161,000	0	-161,000
<b>Live Videoconference</b>	86,000	86,000	0
Substitute	52,000	52,000	0
Supplemental	34,000	34,000	0
<b>Store-and-Forward</b>	1,041,000	1,041,000	0
Substitute	625,000	625,000	0
Supplemental	416,000	416,000	0
<b>Enrollee Out-of-Pocket Costs</b>	\$15,543,000	\$14,879,000	-\$664,000

Source: California Health Benefits Review Program, 2016.